TransCanada PipeLines

Annual Report 1975

Directors and Principal Officers

Directors

Robert W. Campbell
Chairman and Chief Executive Officer,
PanCanadian Petroleum Limited, Calgary

John H. Coleman
President,
J.H.C. Associates Limited, Toronto

A. Jean de Grandpré, Q.C.
President,
Bell Canada, Montreal

James W. Kerr
Chairman and Chief Executive Officer,
TransCanada PipeLines, Toronto

Beverley Matthews, C.B.E., Q.C.
Messrs. McCarthy & McCarthy, Toronto

A. Deane Nesbitt, O.B.E., D.F.C.
President and Chief Executive Officer,
Nesbitt Thomson and Company Limited,
Montreal

Gordon P. Osler
Vice Chairman and Chief Executive
Officer, British Steel Corporation
(Canada) Limited, Toronto

Herbert C. Pinder
President,
Saskatoon Trading Co. Ltd., Saskatoon

Smiley Raborn, Jr.
President and Chief Executive Officer,
CanDel Oil Ltd., Calgary

Frank A. Schultz
Independent Oil Operator, Dallas

Ian D. Sinclair, Q.C.
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

John M. Taylor
President,
PanCanadian Petroleum Limited, Calgary

J. Ross Tolmie, Q.C.
Messrs. Herridge, Tolmie, Ottawa

George W. Woods
President,
TransCanada PipeLines, Toronto

Principal Officers

James W. Kerr, P.Eng.
Chairman and Chief Executive Officer

George W. Woods, F.C.A.
President

James M. Cameron
Executive Vice President

Walter Hindle, P. Eng.
Group Vice President

John K. Archambault
Vice President and General Counsel

Norman E. Frost, P. Geol.
Vice President, Sales

Gordon A. Leslie, P. Geol.
Vice President, Gas Supply

Richard D. Walker, P. Eng.
Vice President, Engineering and Operations

Robert G. Wall, C.A.
Vice President, Finance

John G. C. Weir
Vice President, Corporate Services

Donald M. Johnston
Corporate Secretary

Compressor Station No. 8, Great Lakes Gas Transmission Company, Crystal Falls, Michigan.

Highlights

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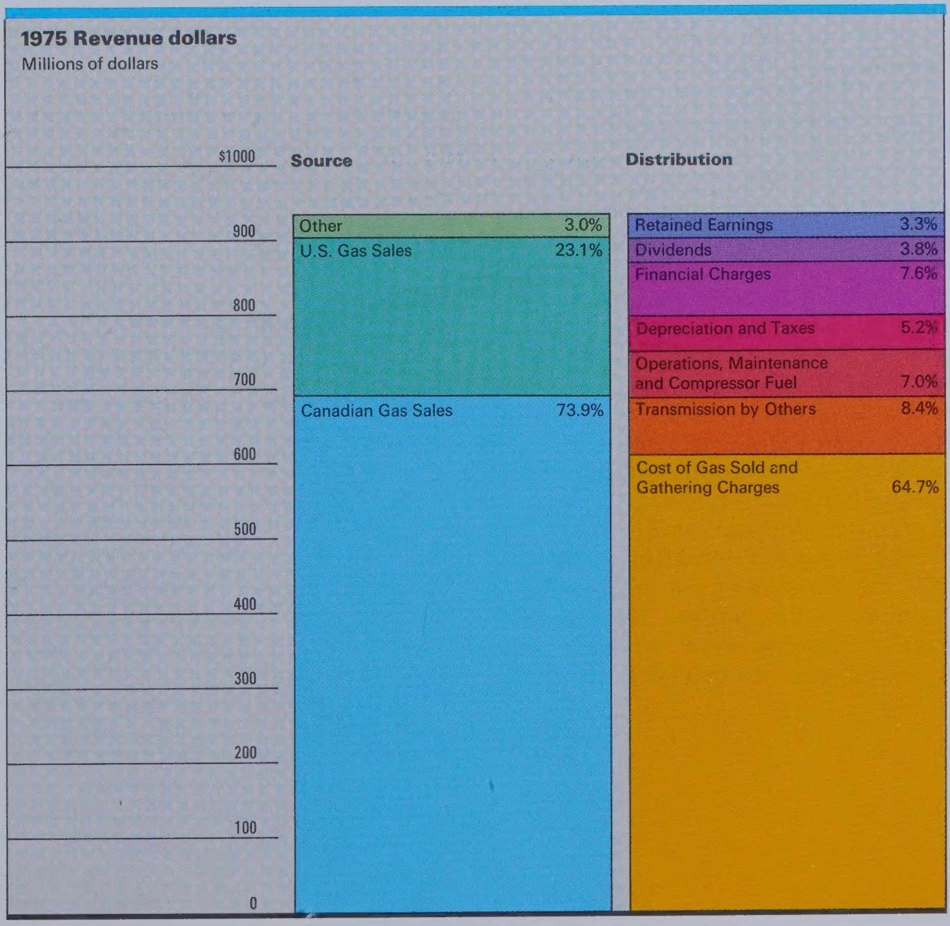
Cover

Scenes from Company operations framed in the open ends of big-inch pipe. Top Row: Left – Compressor Station No. 119, Sundridge, Ontario. Centre – Pipe line construction near Upsala, Ontario. Right – Entrance to Compressor Station No. 130, Maple, Ontario. Bottom Row: Left – Cranberry, Lichen and Chicklace flowers in Canada's Northwest Territories. Right – Welding trucks move along TransCanada's right-of-way near Cornwall, Ontario.

	1975	1974
Operations	**($000)**	($000)
Operating revenues	**$ 920,389**	$ 567,942
Operating income	**127,850**	103,947
Net income	**66,297**	45,582
Funds provided from operations	**105,220**	73,664
Dividends declared		
Preferred shares	**13,789**	12,361
Common shares	**21,930**	14,106
Net income per common share		
Basic	**$ 1.65**	$ 1.17
Fully diluted	**1.45**	1.03
Dividends declared, per common share	**.69**	.48⅓
Gas Transmission Plant	**($000)**	($000)
Gross plant	**$1,588,754**	$1,555,506
Gas Delivered for Sales and Transportation (millions of cubic feet)		
Annual volume	**1,100,550**	1,096,410



Report to Shareholders

For TransCanada PipeLines 1975 was a year of continued progress and operating results reflected corporate planning of previous years.

The highlights of the year were:

—a 41% increase in earnings per share after an 11% increase in the average number of shares outstanding.

—earnings which reflected the rate of return found to be fair and reasonable by the National Energy Board.

—the introduction of a new pricing procedure for natural gas in Canada.

—a return to a more appropriate level of exploration in traditional producing areas.

—acquisition of Mackenzie Delta gas reserves by your Company.

—commencement of the regulatory hearings for the construction of a natural gas pipe line to Mackenzie Delta gas reserves.

—continued progress in the engineering and environmental studies of the Polar Gas Project which will lead to an application to construct a natural gas pipe line from the Arctic Islands.

—improved earnings by Great Lakes Gas Transmission Company.

Operating revenues in 1975 were $920,389,000 compared with $567,942,000 in 1974. This resulted primarily from recovery of the higher cost of gas sold and increased gathering charges in 1975, which rose to $601,013,000, up 90% from the previous year.

The 1975 net income per common share was $1.65, compared with $1.17 in 1974.

The rate of return earned by TransCanada on its utility rate base during 1975 was 9.8%, a rate which the National Energy Board had found to be fair and reasonable in 1974. Effective December, 1975 the National Energy Board approved a rate of return of 10.2%.

On November 1, 1975, a modified commodity value pricing system replaced the traditional methods of setting natural gas prices in Canada. In October the Governments of Canada and Alberta agreed that the city gate, or wholesale price, for customers buying gas at a high load factor in Toronto would be $1.25 per million British Thermal Units (BTU's).

James W. Kerr, Chairman and Chief Executive Officer, and George W. Woods, President, at right.

The prices at which the Company could sell gas in other areas were then prescribed by the Federal Government based on the $1.25 price. Formerly the price charged to the customer was determined by adding the cost of gathering, transmission and distribution to a field price set by negotiation.

The field price of gas paid to the producers is now determined by subtracting the gathering and transmission costs from the prescribed selling prices.

The price for natural gas exported from Canada was increased in stages during 1975 to $1.60 per million BTU's. The extra revenue over and above the basic field price, the cost of gathering in Alberta and the cost of transportation to the United States border is now being shared equally by all Alberta producers. As a result of these changes in domestic and export prices, producers selling to TransCanada are receiving approximately $1.00 per million B.T.U.'s including the extra revenue from export sales.

The substantial increase in natural gas field prices in 1975 should encourage the producing sector to explore and develop the gas reserves that are needed in the market and should cause the market being served by natural gas to be gradually upgraded. Care must be taken during this process however, not to reduce total natural gas sales by overpricing, because this would result in idling facilities which in turn would be translated into higher unit gathering, transmission and distribution costs. The result would be a lower net back price to producers without any corresponding benefit to consumers.

Operating efficiency to keep transmission costs at a reasonable level will remain a primary objective of TransCanada as the Company continues to improve its existing pipe line system.

In 1975 the Company completed a rerating program to upgrade 82 miles of 30-inch pipe in northern Ontario. Another 250 miles will be upgraded in 1976.

Operating tests of the latest aircraft jet engine used in the compressor station at Burstall, Saskatchewan have confirmed that significant improvements in operating efficiency are possible, and another smaller unit will be installed at Ile des Chênes, Manitoba in 1976.

Studies are continuing of the use of electrical energy to power compressor equipment in western Canada where surplus hydro-electric power is available in order that natural gas presently being used as fuel can be conserved.

In October, 1975, the National Energy Board granted the Company a certificate to construct 48 miles of 24-inch loop and 17 miles of 16-inch loop in eastern Ontario and Quebec. This construction, will complete the looping of the Ottawa extension and the Company's system to Montreal.

Deliveries of natural gas in 1975 were 1,101 billion cubic feet (Bcf) compared to 1,096 Bcf in 1974 reflecting the levelling off in growth which will take place in the markets served by the Company. This situation will likely continue until additional reserves of natural gas are attached from frontier areas or other new areas.

Gas supply for future expansion of Canadian markets continues to be a very important concern of your Company. Hearings commenced before the National Energy Board in October, 1975 on the Mackenzie Valley natural gas pipe line project. Just recently the Supreme Court of Canada gave a decision which will result in the appointment by the National Energy Board of a new Chairman of the Board's panel which is in the process of conducting the Mackenzie Valley hearing. It is hoped that this action will not significantly delay the timing of the final decision on a Mackenzie Valley pipe line. A related hearing on environmental and social aspects of Arctic frontier pipe line projects commenced in March, 1975. The Company has filed, at the request of the National Energy Board, a detailed submission describing the additional facilities on the Company's system which will be required to move Mackenzie Delta gas from Burstall to eastern Canadian markets. Hearings are also taking place in the United States related to connecting United States facilities.

TransCanada supports the Canadian Arctic Gas Pipeline Limited (CAGPL) project as the only feasible Mackenzie Valley project and as the quickest way to get frontier gas to Canadian markets. TransCanada has entered into a conditional agreement under which the Company will invest up to $272,000,000 in the equity of CAGPL.

The Company has entered into negotiations with the owners of natural gas reserves in the Mackenzie River Delta area, and to date has contracted to purchase up to four trillion cubic feet over a 20-year period. Negotiations are continuing with other producers for additional volumes of Delta gas.

During 1975 TransCanada continued as manager of the Polar Gas Project, which proposes to build a pipe line from the Arctic Islands. In October, 1975, the Province of Ontario joined the Project as a participant through Ontario Energy Corporation and in 1976 the Government of Canada became a participant in the study phase through Petro-Canada.

Great Lakes Gas Transmission Company, the United States affiliate company, showed a further improvement in total earnings. TransCanada's 50% share of profit from Great Lakes operations was $6,670,000 in 1975. compared to $6,098,000 in 1974.

The Company, during 1975, made further significant progress in perfecting its electronic device to detect flaws in pipe lines in place. Other areas of research and development in which the Company is participating include a new high impact method of welding oil and gas transmission pipe, and the separation of sulphur from natural gas by the use of membranes.

The natural gas industry will continue to face many challenges during the near future, the greatest of which will be to serve existing markets until frontier gas becomes available. The higher well head prices for natural gas should greatly stimulate exploratory drilling and new discoveries in traditional supply areas. However substantial volumes of new gas will be required to maintain the current level of natural gas sales during the period.

Commencing January 31, 1975, the annual rate of dividends payable on the Company's common shares was increased from 50 cents to 60 cents per share. On July 31 the annual rate was increased again to 72 cents per share. No further increase in dividends can be made by your Board except with the approval of the Anti-Inflation Board established by the Government of Canada in October, 1975.

The sudden passing of Neil J. McKinnon in August, 1975, was a serious loss to your Company. In addition to the many personal contributions Mr. McKinnon made to Canada in the fields of national policy, finance and banking he will always be remembered by his fellow directors for the valuable advice and help he rendered to TransCanada PipeLines.

Beverley Matthews, Q.C., having reached the age of retirement, has submitted his resignation from the Board of Directors, to take effect April 14, 1976. During his term as a director, Mr. Matthews made an outstanding contribution to the shape and direction of overall Company policy, and will be greatly missed.

In April, 1975 J. M. Cameron was appointed Executive Vice President of the Company. At the same time, R. D. Walker was appointed Vice President, Engineering and Operations, and J. K. Archambault was appointed Vice President and General Counsel.

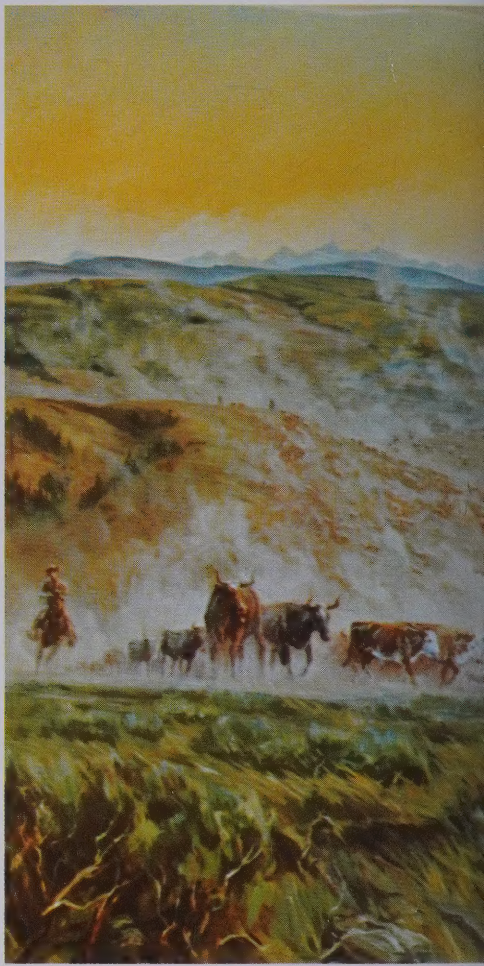
In 1975 the employees of TransCanada, once again through their skill, expertise and dedication, have enabled the Company to report a successful year of operations. It is a pleasure to be able to acknowledge their contribution on your behalf.

On behalf of the Board,

Chairman and Chief Executive Officer

Toronto, Ontario
March 15, 1976.

Calgary Centennial



This painting "The First Drive of Range Cattle" by O. N. Grandmaison was presented by TransCanada PipeLines to the Glenbow-Alberta Institute to be held in trust for the people of Calgary, Alberta, in recognition of their Centennial Year, celebrated in 1975.

The painting depicts the arrival of 6,000 head of range cattle brought in 1881 from Montana to the Cochrane Hill Ranch. These were the first range cattle brought to Alberta and were driven in several herds at a rate of about 16 miles a day during the 400-mile trek. Their arrival marked the beginning of ranching in Alberta.

The painting hangs in the Calgary Convention Centre.

Gas Supply

Gas Reserves

A major increase in the price paid for natural gas in Alberta occurred on November 1, 1975.

This resulted from the agreement between the Governments of the Province of Alberta and Canada under which the selling price of gas was set in Toronto at $1.25 per million BTU's and other domestic prices were set in relation to the $1.25 price. In addition the export price of natural gas was set at $1.60 per million BTU's. The price payable to producers is now determined by deducting the cost of gathering and transmitting from these selling prices. Producers selling natural gas to TransCanada are currently receiving a field price of approximately $1.00 per million BTU's, which compares to a field price of approximately 44.5 cents per million BTU's prior to the implementation of the new price structure.

TransCanada holds Permit No. TC 76-11 issued under The Gas Resources Preservation Act of Alberta. The Permit, which expires October 31, 1994, authorizes the Company to remove from Alberta a maximum quantity of 1.165 trillion cubic feet in any consecutive 12 month period ending October 31 and a total quantity of 23.731 trillion cubic feet during the term of the Permit. To December 31, 1975 the Company has removed from Alberta under the Permit approximately 9.2 trillion cubic feet of gas. On December 31, 1975, the remaining gas reserves under long-term contract to TransCanada were approximately 23.6 trillion cubic feet. This includes gas reserves purchased under long-term contract from Consolidated Natural Gas Limited. The Company estimates that the long-term discovery rate of approximately 2.6 trillion cubic feet per year was maintained in Alberta during 1975, and, as a result of the higher price of natural gas, exploration and development began to improve during the latter part of 1975. However, because of increasing government legislation relating to environmental restrictions and right-of-way acquisitions, longer periods of time are now required to bring new gas discoveries to market. The Company must purchase large volumes of additional gas reserves each year to sustain existing market levels.

During 1975, TransCanada entered into a long-term gas purchase contract with Imperial Oil Limited for the purchase of up to 4.0 trillion cubic feet in the Mackenzie Delta area. The Company is continuing to negotiate with the other major producers in the Mackenzie Delta area and it is anticipated that additional gas reserves will soon be placed under contract to the Company.

Canadian Arctic Gas Project

During 1975 TransCanada continued to participate with fourteen other companies in the planning and regulatory applications for Canadian Arctic Gas Pipeline Limited (CAGPL). CAGPL is applying for authorization to construct a large-diameter pipe line forming part of a pipe line system connecting the natural gas reserves of the Mackenzie Delta and the North Slope of Alaska to Canadian and United States' markets. The proposed new line will interconnect with the Company's system near Empress, Alberta. To December 31, 1975, the total expenditures made on engineering and environmental studies and on regulatory hearing and other expenses in connection with the project, totalled $103,000,000.

In March, 1975, an Inquiry commenced under Justice T. R. Berger on behalf of the Department of Indian and Northern Affairs. This Inquiry is investigating the social, environmental and economic impact of a Mackenzie Valley natural gas pipe line.

In October, 1975, the National Energy Board (NEB) commenced hearings into competing applications to construct a Mackenzie Valley natural gas pipe line. In support of the CAGPL application, the Company filed with the NEB in February, 1976 its submission describing the nature and costs of additional facilities that must be added to the Company's system when Mackenzie Delta gas becomes available. The cost of such facilities at the expected time of construction is estimated to be $1.4 billion.

In the United States similar hearings have been conducted or are presently under way.

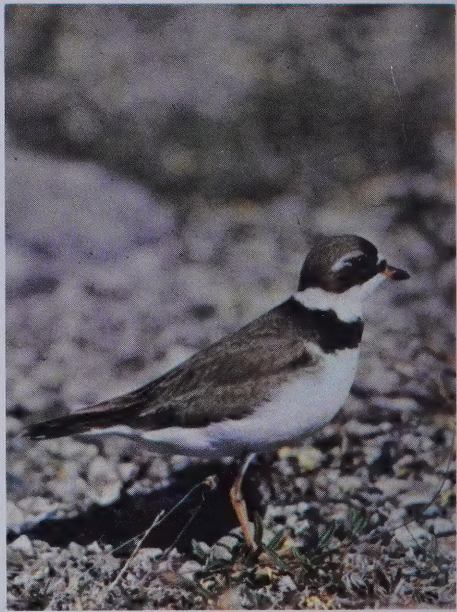
The Company has agreed to invest up to $272,000,000 in the common shares of CAGPL conditional upon receipt of all necessary governmental authorizations and upon satisfactory financing arrangements being made. This investment is also conditional upon the completion of appropriate long-term natural gas supply from the Mackenzie Delta area and transportation contracts being concluded.

TransCanada continues to support CAGPL as the only Mackenzie Valley pipe line project which presently has sufficient proven gas reserves to support early construction of the necessary pipe line facilities, and as the only project which has the prospect of moving Mackenzie Delta gas reserves to Canadian markets at an early date.

Polar Gas Project

Under the management of TransCanada PipeLines, the Polar Gas Project continued during the year to conduct research and investigations related to the construction of a natural gas pipe line from the Canadian Arctic Islands to southern markets.

As a result of 1975 programs, it



Above: The Semipalmated Plover, one of the many species of birds nesting in the Arctic which have been studied by Canadian Arctic Gas ornithologists.

Left: Collecting river bottom sediments as part of extensive research activities of the Polar Gas Project in the Northwest Territories.

appears that construction of such a large diameter transmission system is technologically feasible. More detailed studies are continuing and an application is planned to be made to regulatory authorities during 1977.

The greatest technical challenge to the Project is the deepwater crossing of several Arctic channels to move gas from source areas mainly on Melville Island to the Boothia Peninsula. A preliminary inter-island routing has been selected and proposed construction methods developed for each channel crossing.

Pipelining on land, would represent more than 90 per cent of the route mileage for such a system and work in this area is drawing upon experience gained by TransCanada PipeLines in winter construction programs through rock and frozen muskeg and under climatic conditions similar to those found in the far north.

While approximately 95 per cent of the areas of the eastern Arctic through which the pipe line would pass are considered biologically non-productive, special care must be taken to ensure that lasting damage would not be done to those relatively few areas which are of particular significance to the support of wildlife populations and ultimately to life-styles of native residents. As a result, biophysical and socio-economic research programs are continuing along the proposed route.

An ongoing program of communication with northern settlements is designed to assure that the several thousand northern residents within the sphere of influence of the Project have the opportunity to participate to the greatest extent possible in its planning.

Marketing

Natural Gas Sales and Transportation

During 1975, your Company fulfilled all of its customers' requirements under existing gas sales contracts. Canadian customers did not purchase their normal contracted requirements during the year because of a milder than normal winter, the economic recession in Canada and labour strikes which severely depressed summer sales to industry. As a result, total sales and transportation volumes increased by only 5 Bcf from 1,096 Bcf in 1974 to 1,101 Bcf in 1975.

The major share of the Company's Canadian market was comprised of industrial sales which amounted to 59%. Residential sales were 21% and commercial sales 20%. It is expected that distributors will alter the composition of their markets as they attempt to meet the demands of new residential and commercial customers during the current period of limited supply. To assist distributors to better meet the needs of their markets the Company offered a new transportation service during 1975 which allows distributors to store gas during the summer time and to have it transported to the market area in the winter.

The competitive advantage for natural gas was sharply reduced in all segments of the Canadian market and in some instances lost entirely as a result of new gas prices established late in 1975. The higher prices came into effect too late in the year to have a noticeable effect on demand during 1975. However, it is apparent that the reduction in competitive margins could result in severe competition during 1976, particularly in the large industrial market sector.

Annual Gas Sales and Transportation

(volumes in millions of cubic feet)	**1975**	1974	1973	1972	1971
Sales					
Saskatchewan Power Corporation	**2,738**	3,902	3,019*	23,073	26,480
Plains-Western Gas (Manitoba) Ltd.	**8,314**	7,986	11,065	8,409	8,167
Inter-City Gas Limited	**7,239**	7,906	6,659	7,852	5,900
Northern and Central Gas Corporation Limited					
Ontario Division	**110,973**	117,762	112,020	108,026	102,192
Greater Winnipeg Gas Company	**45,516**	50,362	47,100	47,988	42,291
Gaz Metropolitain, inc.	**68,876**	71,171	59,801	53,962	50,171
The Consumers' Gas Company	**304,201**	296,140	281,969	235,804	175,291
Union Gas Limited	**238,056**	232,670	214,909	178,663	143,024
Kingston Public Utilities Commission	**2,146**	2,141	2,072	2,015	1,862
Total Canadian	**788,059**	790,040	738,614	665,792	555,378
Michigan Wisconsin Pipe Line Company	**18,250**	18,250	18,250	18,300	18,250
Midwestern Gas Transmission Company	**118,297**	119,797	118,931	119,117	119,483
Great Lakes Gas Transmission Company	**108,650**	110,279	117,355	111,447	98,995
Inter-City Gas Limited	**7,206**	7,851	7,985	8,120	7,021
Tennessee Gas Pipeline Company	—	—	—	—	22,843
Niagara Gas Transmission Limited	**5,497**	5,556	5,547	5,899	5,946
Vermont Gas Systems, Inc.	**4,124**	4,891	3,912	3,745	2,820
Total U.S. Export	**262,024**	266,624	271,980	266,628	275,358
Total Sales	**1,050,083**	1,056,664	1,010,594	932,420	830,736
Transportation	**50,467**	39,746	45,024	18,419	13,425
Total Sales and Transportation	**1,100,550**	1,096,410	1,055,618	950,839	844,161

*The Company sold its Unity pipe line on October 1, 1972, to a subsidiary of Saskatchewan Power Corporation. It is considered inappropriate to continue to include these sales with those listed above since the gas does not move through any of TransCanada's facilities.

Engineering and Operations

1975 Construction and Operations

During the year the Company expended $38,435,000 on additions to gas transmission plant. The principal additions consist of modifications to the existing system which will result in fuel savings and improvements in the security of the pipe line.

During 1975 at nine locations along its system TransCanada PipeLines replaced existing pipe line with thicker wall pipe due to an increase in population density since original construction. The thicker wall pipe is required to meet regulatory and design codes. The Company also received National Energy Board orders permitting the operation of 82 miles of 30-inch diameter pipe line at higher pressures as a result of work completed in the Company's continuing rerating program. Under this program the original line between Winnipeg and Toronto is being sandblasted to improve system performance, and is being retested hydrostatically to permit operation at higher pressures. The original pipe line between Toronto and Montreal is also being sandblasted and retested hydrostatically.

TransCanada commenced construction in 1975 which will lead to the completion of the loop line from Toronto to Montreal. This program consists of 48 miles of 24-inch diameter pipe, including 32 miles in Ontario and 16 miles in Quebec. The Company will also complete the looping of the Ottawa extension by constructing 17 miles of 16-inch diameter pipe.

Increased emphasis was placed on TransCanada's on-going program of gas conservation during the year. Regular performance tests were conducted on the various compressor units across the system to ensure that they operated at peak efficiency.

In order to improve the thermal efficiency of several older gas turbines, heat exchangers (regenerators) have been installed to recover waste heat from the exhaust. In addition, a number of older, less effective regenerators have been replaced to maintain high thermal efficiencies.

During the year, two mini-computers were placed in operation at the Company's compressor stations at Burstall and Caron, Saskatchewan. These installations will ensure that the compressor units at these locations are controlled to maintain optimum efficiency for a given set of pipe line conditions. Six additional mini-computer installations are planned during 1976.

The trial installation of a "second generation" aircraft engine driving a compressor unit at Station 2, Burstall, during 1975 has proven most encouraging. The unit has achieved the rated power output with a 20% improvement in fuel economy compared with previous jet engine installations on the system. A smaller unit with similar efficiency is scheduled for installation as a replacement for an existing jet engine at Station 41, Ile des Chênes, Manitoba.

Important progress was also made during 1975 in the use of mobile compressors to reduce the amount of natural gas which is vented to the atmosphere when pipe line is removed from operation for new construction or rerating purposes. Venting of gas has also been reduced by new operating practices during the shut down of gas compressors for periods of short duration. It is estimated that all these programs have resulted in a saving in compressor fuel and other operational usage, which to date at today's gas prices, represents over $1.5 million.

General Commentary

Consolidated net income before dividends on preferred and common shares increased to $66,297,000 in 1975 from $45,582,000 in 1974, primarily as a result of the Company's ability to implement new rates substantially concurrent with increases in costs and the effect of higher rates of return.

Operating revenues increased to $920,389,000 for 1975 from $567,942,000 in 1974. This increase in revenues results from the recovery of higher costs, primarily increased gas costs paid to producers in western Canada.

Transmission by other companies increased by $17,299,000 due to the higher fuel costs incurred on the Great Lakes system.

Operation and maintenance costs were up $9,929,000 during 1975 as a result of higher costs of operating existing facilities and new facilities added late in 1974 and in 1975.

The cost of compressor fuel rose significantly in 1975 because of higher gas prices despite a reduction in volumes of natural gas consumed as fuel. Fuel savings resulted from increased operating efficiencies and looping of the Northern Ontario line.

Allowance for funds used during construction in 1975 was lower by $3,144,000 due to reduced construction activity during the year.

The Company's equity in the earnings of Great Lakes Gas Transmission Company was $6,670,000 in 1975 compared with $6,098,000 in 1974.

During 1975, the actual rate of return earned on average utility rate base was 9.8% compared with 8.6% in 1974. Net income per average common share was $1.65 for 1975, compared with $1.17 for 1974. The average number of common shares outstanding increased 11% primarily as a result of conversion of $2.75 and $2.65 preferred shares.

Funds generated from operations were $105,220,000 or $3.31 per average common share outstanding in 1975 compared with $73,664,000 or $2.57 per share in 1974.

Long-term financing for the Company's capital requirements was obtained through the January, 1975 sale in Canada of $50,000,000, 11½% Sinking Fund Debentures, Series F, due 1995. On January 29, 1976 the Company sold $50,000,000 of 7¼% Income Debentures to its Canadian bankers, the proceeds of which will be applied to pay for the balance of the 1975 capital program and to pay for part of the 1976 program.

Dividends declared on common shares during 1975 were $21,930,000 representing an increase over 1974 of $7,824,000 or 55%. This increase resulted from the effect of a full year's impact of dividend rate increases granted in 1974, a 20% increase in the rate paid July 31, 1975 together with the increase in common shares outstanding.

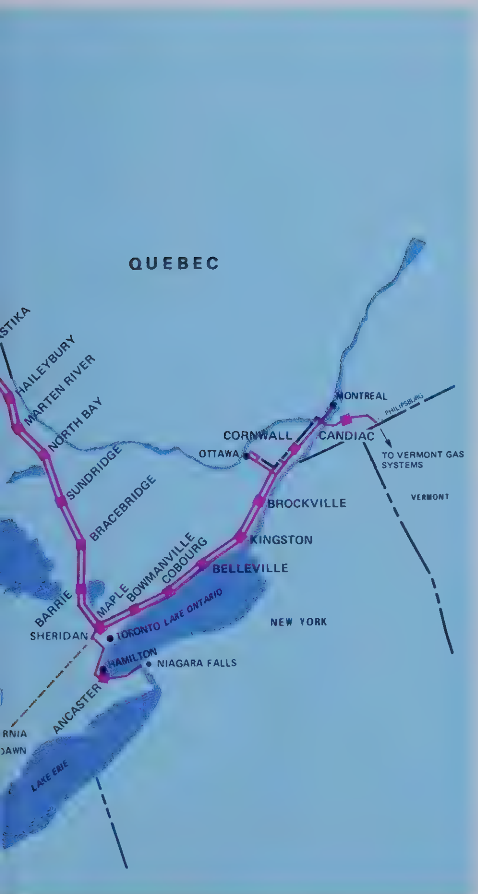
Rate Regulation

New rates were approved by the National Energy Board effective April 1, 1975 designed to cover $16,000,000 of additional annual operating costs. The new rates resulted from an application filed by the Company in December, 1974.

During March, 1975, the Company filed an application to increase its revenues which was heard in two phases. The first phase dealt with a request to increase the depreciation rates on gas transmission plant and to change from "flow through" to the

"tax allocation" method of income tax accounting including the recovery of deferred income taxes. The Board's decision allowed the Company to increase, effective November 1, 1975, its annual rate of depreciation from 2% to 2.75% on the major portion of its gas transmission plant, but denied, at this time, the request to commence recovery of income taxes on the basis proposed.

The second phase dealt with the Company's request to increase its allowable rate of return on rate base, to recover increases in the cost of gas and to incorporate in its rates reasonably foreseeable changes of a routine nature in the Company's cost of service between November 1, 1975 and October 31, 1976. On November 26, 1975, new rates were authorized by the Governor in Council under the authority of the Petroleum Administration Act to incorporate the National Energy Board's decision on this phase of the Company's application. In its decision, the National Energy Board found that the rate of return on the Company's rate base should be increased from 9.8% to 10.2% effective December 1, 1975. Interim rates had been prescribed for the month of November, 1975.



1975 Operations

The 1975 operations of Great Lakes resulted in net income of $15,454,000, compared to net income of $14,307,000 in 1974. During the year Great Lakes transported a total of 396 Bcf of gas, of which 287 Bcf, or 72%, were delivered to TransCanada PipeLines for sale in eastern Canada.

Rates

On April 30, 1975 the Company filed revised tariff schedules with the Federal Power Commission (FPC) increasing its rates for gas transported and sold. The new rates became effective on November 14, 1975, following the maximum statutory suspension period imposed by the FPC. Based on currently projected volumes of gas for sale and for transportation, additional annual revenues of $12,000,000 are anticipated to be generated as a result of the newly filed rates, which are being collected subject to the refund of any portion thereof ultimately found by the FPC to be above just and reasonable levels. Additional revenues of $1,572,000 were generated during 1975 under the new rates.

Great Lakes has received authorization from the FPC from time to time to amend its import authorizations to allow it to continue the importation of natural gas at the higher prices in accordance with the orders issued by the National Energy Board of Canada amending TransCanada PipeLines' licences for export of natural gas. The average cost of gas purchased by Great Lakes during 1975 was $1.19 per Mcf compared with 42¢ per Mcf in 1974. Great Lakes Gas Transmission's Tariff includes a provision which permits recovery of increased gas costs from its customers.

Construction

The 1975 construction program amounted to approximately $4,300,000 related mainly to the addition of 8,000 horsepower at one existing compressor station and minor modifications and additions to other existing facilities.

Dividends

Great Lakes declared dividends on a quarterly basis during 1975 amounting to $9,500,000 annually.

Summary Balance Sheet

(Thousands of United States dollars)

Assets	1975	1974
Plant, property and equipment	$355,660	$337,984
Less: accumulated depreciation	70,343	57,456
	285,317	280,528
Current assets	48,137	52,706
Deferred charges	362	290
	$333,816	$333,524
Shareholders' Equity and Liabilities	1975	1974
Common stock	$ 50,000	$ 50,000
Retained earnings	36,247	30,293
First mortgage pipe line bonds	192,500	200,000
Current liabilities	50,695	51,542
Deferred credits	4,374	1,689
	$333,816	$333,524

Summary Statement of Income and Retained Earnings

(Thousands of United States dollars)

	1975	1974
Operating revenues	$197,616	$112,936
Operating expenses	147,078	62,380
Depreciation	12,872	12,404
Federal and state income taxes	10,931	10,403
Amortization of investment tax credit	(5,149)	(4,653)
Interest (net)	16,090	17,940
Other expense (net)	340	155
Net income	15,454	14,307
Retained earnings at beginning of year	30,293	17,986
	45,747	32,293
Dividends declared	(9,500)	(2,000)
Retained earnings at end of year	$ 36,247	$ 30,293

Consolidated Balance Sheet

December 31, 1975 (with comparative figures at December 31, 1974)

Assets

Assets	1975	1974
	($000)	($000)
Plant, Property and Equipment—at cost	$1,588,754	$1,555,506
Less accumulated depreciation	273,209	240,514
	1,315,545	1,314,992
Investment in Great Lakes Gas Transmission Company—at equity	43,617	41,070
Other Assets		
Advance payments on future gas supply	—	1,035
Current Assets		
Cash	3,721	2,951
Accounts receivable	141,547	83,991
Materials and supplies—at cost	9,687	7,845
Line pack and gas stored underground—at cost	17,353	5,831
Prepayments and deposits	4,004	471
	176,312	101,089
Deferred Charges		
Unamortized debt discount and expense	16,475	16,369
Capital stock expense	5,445	5,688
Unamortized owning costs—Northern Ontario Section	4,243	6,601
Great Lakes project—additional costs of gas	—	3,851
Arctic pipe line projects	5,545	4,935
Other	5,036	5,164
	36,744	42,608
	$1,572,218	$1,500,794

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Shareholders' Equity and Liabilities

	1975	1974
	($000)	($000)
Shareholders' Equity		
Capital stock (Note 1)		
First preferred shares of the par value of $50.00 per share		
Authorized—7,172,156		
Outstanding		
—$2.80 cumulative redeemable shares		
1975—832,680 (1974—860,655)	$ 41,634	$ 43,033
—$2.75 cumulative redeemable convertible shares—series A		
1975—132,249 (1974—269,292)	6,612	13,465
—$4.50 cumulative redeemable retractable shares—series B		
1975—1,000,000 (1974—1,000,000)	50,000	50,000
Second preferred shares of the par value of $50.00 per share		
Authorized—7,441,602		
Outstanding		
—$2.65 cumulative redeemable convertible shares—series A		
1975—2,395,227 (1974—2,499,800)	119,761	124,990
Common shares of the par value of 33⅓¢ per share		
Authorized—75,000,000		
Outstanding		
1975—32,005,509 (1974—31,077,790)	10,668	10,359
	228,675	241,847
Contributed surplus	160,692	150,727
Retained earnings	146,395	115,817
	535,762	508,391
Long-Term Debt (Per Schedule and Note 2)	819,797	820,075
Notes Payable (Note 5)	20,000	37,730
Current Liabilities		
Long-term debt due within one year	38,177	29,606
Accounts payable	128,843	77,379
Interest accrued	20,492	18,979
Dividends payable	9,147	8,634
	196,659	134,598
	$1,572,218	$1,500,794

On behalf of the Board:

J. W. Kerr, Director

Beverley Matthews, Director

Consolidated Statements

Year ended December 31, 1975 (with comparative figures for 1974)

Income	1975	1974
	($000)	($000)
Operating Revenues		
Gas sales	$ 901,167	$ 561,255
Gas transportation	8,847	5,378
Other	10,375	1,309
	920,389	567,942
Operating Expenses		
Cost of gas sold and gathering charges	601,013	316,691
Transmission by other companies	78,066	60,767
Operation and maintenance	37,844	27,915
Compressor fuel—gas and electric	27,244	16,697
Depreciation and amortization	39,136	34,463
Taxes—provincial and municipal	9,236	7,462
	792,539	463,995
Operating income	127,850	103,947
Other Income		
Allowance for funds used during construction	1,352	4,496
Equity in net income of Great Lakes Gas Transmission Company	6,670	6,098
Other (net)	859	517
	8,881	11,111
Income before financial charges	136,731	115,058
Financial Charges		
Interest on long-term debt	70,969	68,076
Amortization of debt discount and expense less gain on purchase of debt	(1,469)	(1,891)
Other interest expense	934	3,291
	70,434	69,476
Net Income for the Year	$ 66,297	$ 45,582
Net Income Applicable to Common Shares		
Net income for the year (above)	$ 66,297	$ 45,582
Less provision for dividends on preferred shares	13,863	12,119
Net income applicable to common shares	$ 52,434	$ 33,463
Net Income per Common Share		
Basic	$ 1.65	$ 1.17
Fully diluted	$ 1.45	$ 1.03

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Contributed Surplus

	1975	1974
	($000)	($000)
Balance at beginning of year	$ 150,727	$ 122,473
Premium on common shares issued (Note 1)	8,953	27,816
Credit resulting on redemption of preferred shares (Note 1)	1,334	438
	161,014	150,727
Capital stock expense written off	322	—
Balance at end of year	$ 160,692	$ 150,727

Retained Earnings

	1975	1974
	($000)	($000)
Balance at beginning of year	$ 115,817	$ 96,702
Net income for the year	66,297	45,582
	182,114	142,284
Dividends declared		
Preferred	13,789	12,361
Common	21,930	14,106
	35,719	26,467
Balance at end of year (Note 3)	$ 146,395	$ 115,817

Changes in Financial Position

	1975	1974
	($000)	($000)
Source of Funds		
Funds from operations	$ 105,220	$ 73,664
Disposal of gas transmission plant	1,100	207
Refund of advance payments on future gas supply	839	6,466
Reduction of special deposits	—	17,936
Increase in notes payable	—	37,730
Repayment of advances by Great Lakes Gas Transmission Company	—	211
Dividends from Great Lakes Gas Transmission Company, net of withholding tax	4,124	842
Issue of securities (net proceeds)		
Long-term debt	48,593	—
Preferred shares	—	48,503
Common shares	103	1
	$ 159,979	$ 185,560
Use of Funds		
Additions to gas transmission plant	$ 38,435	$ 108,578
Reduction of advance payments received	—	19,074
Increase in special deposits	—	6,352
Arctic pipe line projects	2,165	2,355
Reduction of long-term debt	48,865	37,417
Reduction of notes payable	17,730	—
Purchase and cancellation of preferred shares	2,984	906
Dividends on preferred and common shares	35,719	26,467
Other (net)	919	3,953
Change in working capital during the year	13,162	(19,542)
	$ 159,979	$ 185,560

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

December 31, 1975 (with comparative figures for 1974)

Schedule of Long-Term Debt

		1975	1974
		($000)	($000)
First mortgage pipe line bonds			
Due 1978			
5¼% U.S. series—U.S. $17,402,000		$ 17,402	$ 23,210
5½% Canadian series		3,956	5,280
6¼% U.S. series—U.S. $1,702,000		1,702	2,158
6¾% Canadian series		867	1,145
Due 1983			
5¾% U.S. series—U.S. $40,969,000		44,122	49,749
6¼% Canadian series		19,722	22,238
Due 1985			
5⅛% U.S. series—U.S. $22,113,000		23,851	26,274
Due 1987			
6⅝% U.S. series—U.S. $83,040,000		89,486	96,727
Due 1992			
8¾% Canadian series A		93,900	100,000
8¾% Canadian series B		38,880	40,000
Due 1993 (Sinking funds commence in 1976)			
8⅜% Canadian series A		64,650	65,000
8⅜% Canadian series B		10,000	10,000
Sinking fund debentures			
Due 1990 (Sinking funds commence in 1976)			
10% series A		47,000	48,400
9¾% series B		57,250	58,500
Due 1991 (Sinking fund commences in 1977)			
9% series C		47,300	48,341
Due 1992 (Sinking fund commences in 1978)			
8⅞% series D		95,088	97,163
Due 1993 (Sinking fund commences in 1979)			
9% series E		96,000	97,983
Due 1995 (Sinking fund commences in 1981)			
11½% series F		50,000	—
Subordinated debentures due 1987			
5.60% U.S. series—U.S. $15,972,000	$ 15,972		
Less—Company owned	54	15,918	16,317
5.85% Canadian series	$ 41,528		
Less—Company owned	35	41,493	42,834
		858,587	851,319
Less—long-term debt due within one year			
Canadian $38,177,000 (1974—$29,606,000)		38,790	31,244
		$ 819,797	$ 820,075

See note 2 to consolidated financial statements.

Summary of Significant Accounting Policies

Regulation—The Company, which owns a natural gas transmission system extending from the Alberta-Saskatchewan border across the Provinces of Saskatchewan, Manitoba and Ontario and through a portion of the Province of Quebec, is subject to the jurisdiction of certain regulatory bodies in connection with matters such as rates, construction, operations and accounting. In addition, the Company is subject to the provisions of the Anti-Inflation Act.

The Company shares equally in the ownership of Great Lakes Gas Transmission Company, a United States corporation. Great Lakes, which owns and operates a pipe line system extending from Emerson, Manitoba through Minnesota, Wisconsin and Michigan to Sarnia, Ontario, transports a substantial volume of gas for the Company.

Principles of consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries all of which are wholly owned. The operations of the active subsidiary company are relatively minor in comparison to the transmission operations of the Company and have therefore been included in the consolidated statement of income under the caption "Other Income—Other". The Company uses the equity method of accounting for its investment in Great Lakes Gas Transmission Company and has provided for withholding taxes on its share of the earnings of Great Lakes which may be distributed.

Income taxes—As allowed by the relevant income tax provisions and regulations, the Company has followed the practices and principles of claiming certain deductions for income tax purposes in excess of the amounts charged to income for accounting purposes. If the relevant income tax provisions and regulations had not permitted such deductions, income taxes would have been payable in the approximate amount of $29,400,000 for 1975 ($19,700,000 for 1974) and to an accumulated amount of $161,100,000 at December 31, 1975.

In June, 1975, the National Energy Board disallowed the Company's request to include currently in cost of service any allowance for income taxes on utility income calculated on a tax allocation basis. Because of this Decision and since there is reasonable expectation that all income taxes payable by the Company in the future will be included in cost of service and recovered in revenues at that time, the Company is continuing to follow the taxes payable basis of accounting for both accounting and rate making purposes.

Depreciation—The Company's provision for depreciation expense is calculated on a straight line basis using rates reflecting the economic and physical life of the assets in service. It is the policy of the National Energy Board, which approves depreciation rates, to permit the recovery of undepreciated plant costs over the remaining service life of the assets as determined from time to time.

During 1975, depreciation was calculated on a straight line basis using approved rates of 2% on pipe line to October 31, 1975 and 2¾% thereafter, 3½% on compressor stations and other transmission plant, and various rates for general plant equipment.

As a result of this change in depreciation rates, depreciation expense for the year increased by $1,530,000.

Allowance for funds used during construction—An allowance for funds used during construction has been charged to plant, property and equipment at a rate of 10.5% per annum.

Unamortized debt discount and expense—These costs are amortized by charges to expense over the remaining original life of the respective issues or as debt is retired.

Capital stock expense—Capital stock expense incurred in connection with the issue of $4.50 first preferred shares and $2.65 second preferred shares is being amortized to contributed surplus as the shares are purchased for cancellation or converted into common shares.

Unamortized owning costs – Northern Ontario Section—As approved by the National Energy Board, the Company deferred in 1973 a portion of the owning costs associated with the 1972 pipe line expansion program in northern Ontario because of partial utilization of these pipe line additions. Amortization of the interest component of $5,786,000 to operating expenses commenced September 1, 1974 on a straight line basis over a five year period. In 1975, after approval by the Board, the depreciation component of $1,286,000 was transferred to accumulated depreciation to conform the accounting and rate making treatment.

Great Lakes project – additional costs of gas—Prior to the commencement of deliveries of natural gas from western Canada through the Great Lakes system, the Company entered into short-term contracts for the purchase of natural gas from suppliers in the United States to assist in the orderly development of markets in eastern Canada. The difference between the actual cost of this short-term supply and the ultimate selling price of gas delivered through the Great Lakes system to the storage fields near Dawn, Ontario was considered to be one of the costs of bringing the Great Lakes system into operation.

These costs, which had been deferred, were amortized to operating expenses at the rate of ¼¢ per Mcf of throughput through the Great Lakes system until October 31, 1975 at which time the National Energy Board directed that the unamortized balance of $3,255,000 be written off to operating expenses for both accounting and rate making purposes.

December 31, 1975

Arctic pipe line projects—The Company is amortizing costs accumulated to October 31, 1975 for both the Canadian Arctic Gas and Polar Gas Projects. Such costs are being written off to operating expenses over three years for both accounting and rate making purposes.

Deferred charges – other—Interest paid on certain advance payments is included in "Deferred Charges—Other" in the amount of $4,172,000 at December 31, 1975 and $4,191,000 at December 31, 1974. Effective November 1, 1975, the Company is amortizing such costs to operating expenses over a ten year term for both accounting and rate making purposes.

Translation of foreign currency —Transactions originating in foreign currency have been translated to their Canadian equivalent using the rates in effect as indicated:

Current assets and liabilities . . . . year end or contracted rates

Investment in Great Lakes Gas Transmission Company:

Common shares . . . . rates in effect at dates of investment

50% interest in net income . . . . month end rates

Long-term debt due after one year . . . . greater of par or rate in effect on dates of issue

Net income per common share—Net income per common share is calculated using the weighted average number of common shares outstanding during the respective fiscal years. The calculation of net income per common share on a fully diluted basis assumes conversion of all securities and exercise of all rights which have a dilutive effect on earnings per share.

Notes to Consolidated Financial Statements

1 Capital Stock

The Company is required to maintain purchase funds for the $2.80 first preferred shares, the $2.75 convertible first preferred shares and the $2.65 convertible second preferred shares which, subject to certain conditions, are replenished annually on February 1 to an amount equal to 2% of the par value of the shares outstanding on the previous December 31.

In the case of the $4.50 retractable first preferred shares, the Company is required in each year from 1975 to 1984 to credit the lesser of $1,500,000 or the aggregate par value of the remaining shares then outstanding to a purchase fund for these shares.

These various purchase funds are applied, subject to certain conditions, to purchase those preferred shares for cancellation to the extent, if any, that such shares are available at a price not exceeding $50.00 per share plus costs of purchase. To date, preferred shares have been purchased and cancelled on account of the $2.80 first preferred shares and the $2.65 second preferred shares.

In addition to the above purchase fund obligations, it is the intention of the Company to purchase for cancellation, to the extent available at a price per share not exceeding $50.00 plus costs of purchase, during each 12 month period ending January 31 from February 1, 1975 to and including January 31, 1980 an additional $1,000,000 aggregate par value of $4.50 retractable first preferred shares.

Changes in the number of shares outstanding during 1975 are set out in the table below. Consideration in excess of the par value of shares issued is credited to contributed surplus.

		First Preferred Shares			Second Preferred Shares
	Common Shares	$2.80 Series	$2.75 Series A	$4.50 Series B	$2.65 Series A
Number of shares outstanding at January 1, 1975	31,077,790	860,655	269,292	1,000,000	2,499,800
Incentive stock options issued for cash	11,925				
Conversions of preferred shares	915,794		(137,043)		(46,175)
Purchase of preferred shares for cancellation		(27,975)			(58,398)
Number of shares outstanding at December 31, 1975	32,005,509	832,680	132,249	1,000,000	2,395,227

At December 31, 1975, 314,553 common shares were reserved for issuance upon exercise of options granted or which may be granted under the terms and conditions of the Company's Incentive Stock Option Plan. There were outstanding options on 308,400 shares under this plan at prices varying from $8.73 to $15.08, the last of which expires in 1985. During 1975, options on 11,925 common shares were exercised for $103,000.

The principal features of the preferred shares which are all cumulative and redeemable and of the share purchase warrants outstanding are summarized below. In addition, the $4.50 first preferred shares have a retractable feature which requires the Company, subject to certain conditions, to invite tenders during each six month period ending January 31, 1980 and January 31, 1985 for the purchase of all such retractable shares at $50.00 per share plus unpaid dividends.

		Conversion to Common Shares			Common Shares
	Redeemable	Price*	Rate	Expiry Date	Reserved
$2.80 first preferred shares	$51.00 per share to May 1, 1977 and reducing to $50.50 thereafter.	—	—	—	—
Share purchase warrants issued in association with these shares		$12.97	3	April 30, 1976	1,499,739
$2.75 convertible first preferred shares	$52.50 per share to May 1, 1978 and reducing in progressive steps to $50.50 per share after April 30, 1984	$ 8.97	5-4/7	May 1, 1978	736,971
$4.50 retractable first preferred shares	$54.50 per share commencing February 1, 1980 and reducing in progressive steps to $50.00 per share after January 31, 1985	—	—	—	—
$2.65 convertible second preferred shares	$52.50 per share commencing January 1, 1976 and reducing in progressive steps to $50.50 per share after April 30, 1988	$15.15	3-3/10	May 1, 1982	7,904,249

*Price is subject to adjustment under certain conditions to protect against dilution and represents the price per common share to the nearest cent.

2 Long-Term Debt

The Deed of Trust and Mortgage securing the first mortgage pipe line bonds provides for a charge upon all the real property of the Company and a floating charge on all the remaining assets. It also provides for increased sinking fund payments if a Certificate of Gas Supply indicates exhaustion of gas supply earlier than specified dates. As required, the Company's gas purchase, sales and gas products sales contracts and the contracts with The Alberta Gas Trunk Line Company Limited and Great Lakes Gas Transmission Company are mortgaged and pledged under the Deed of Trust and Mortgage.

Under the provision of the Indenture relating to the sinking fund debentures the Company will apply, subject to certain conditions, an annual amount equal to 2% of the aggregate principal amount, separately for each issue, for the purchase in the market of such debentures in each of the five years immediately preceding the establishment of the respective sinking funds. These purchase funds are presently operating and debentures are being purchased to the extent that they are available at prices, including costs of purchase, that do not exceed the principal amount plus accrued interest to the date of purchase. The purchased debentures are delivered to the Trustee for cancellation.

Maximum long-term debt retirements approximate $44,446,000 for 1977, $48,102,000 for 1978, $43,233,000 for 1979 and $43,229,000 for 1980.

Based on the rate of exchange prevailing at December 31, 1975, $162,675,000 would be required to discharge the long-term portion of the U.S. currency debt outstanding at December 31, 1975. Such long-term debt is repayable over a period extending to 1987 and is included in the Consolidated Schedule of Long-Term Debt in the amount of $170,288,000 at December 31, 1975.

3 Restriction on Dividends

Declaration of dividends on both preferred and common shares is restricted under certain preferred share provisions and

under several debt instruments. At December 31, 1975 under the most restrictive provisions $92,700,000 was available for payment of dividends on common shares.

Under the terms of the Anti-Inflation Act the Company's ability to increase common dividends is restricted.

4 Remuneration of Directors and Officers

The aggregate remuneration paid by the Company to thirteen directors, none of whom are officers of the Company, amounted to $102,000. In addition there are two directors who are officers of the Company who receive no remuneration as directors. The aggregate remuneration paid to eighteen officers amounted to $1,028,000.

5 New Financing

On January 28, 1976 the Company entered into an agreement for the sale of $50,000,000 principal amount of 7¼% income debentures. The proceeds will be applied to repay notes payable incurred primarily for the payment of expenditures related to the 1975 construction program and for the proposed 1976 construction program.

6 Future Commitments

The Company has agreed to invest up to $272,000,000 in Canadian Arctic Gas Pipeline Limited which plans to transport Canadian and Alaskan natural gas to the western terminus of the TransCanada system and to points on the international boundary. This investment is conditional on governmental approval of the project, on appropriate regulatory treatment of the investment, on acquisition of further gas supply and on completion of financing arrangements.

Auditors' Report

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS
Commerce Court West
P. O. Box 31, Commerce Court Postal Station
Toronto, Ontario
M5L 1B2

Auditors' Report to the Shareholders

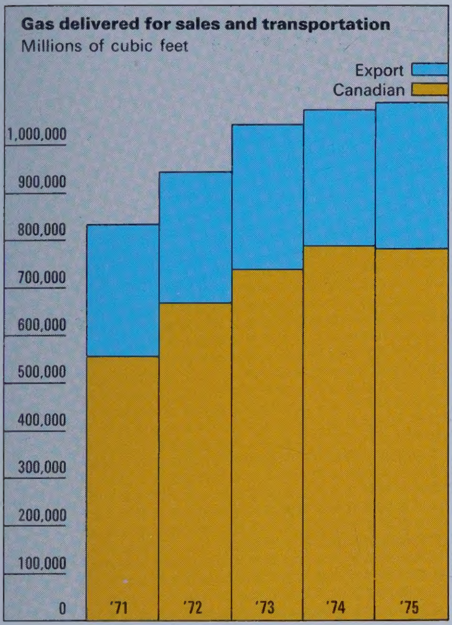
We have examined the consolidated balance sheet of TransCanada PipeLines Limited and its subsidiary companies as of December 31, 1975 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

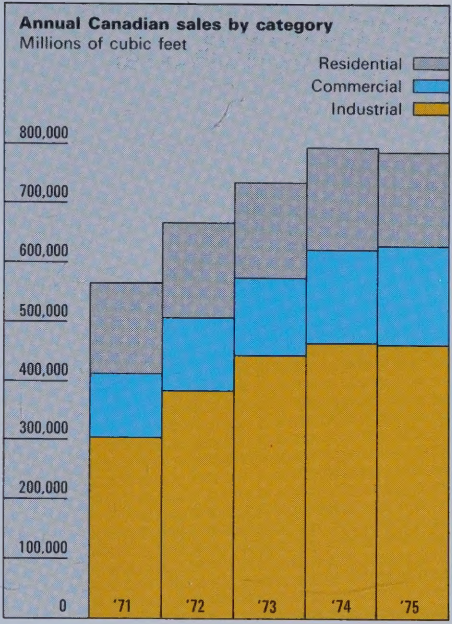
In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiary companies as of December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

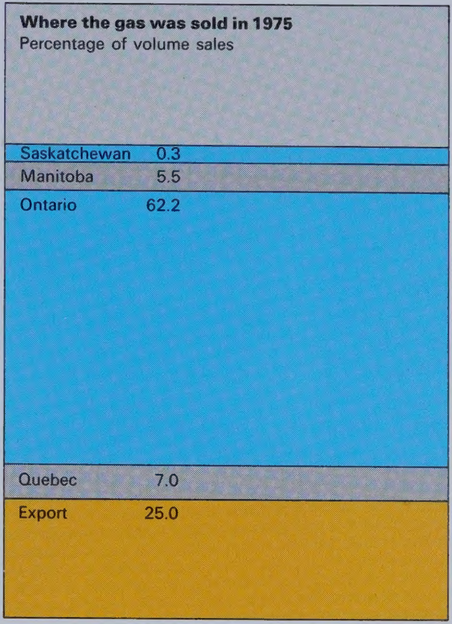
Peat, Marwick, Mitchell & Co.

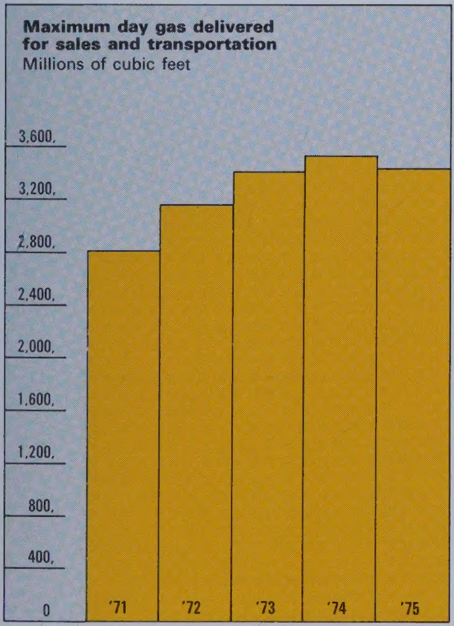
Toronto, Ontario
January 28, 1976

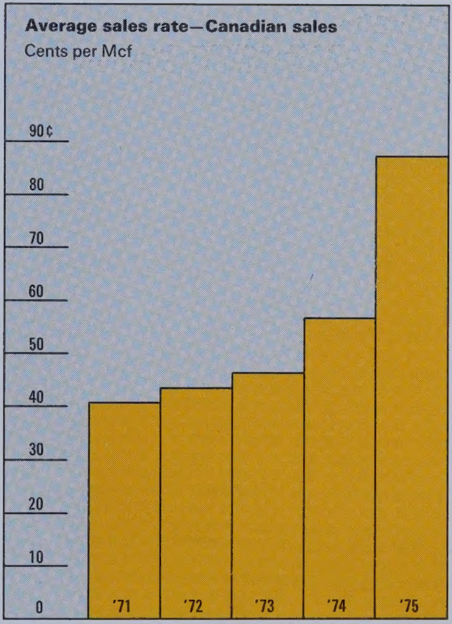
Chartered Accountants

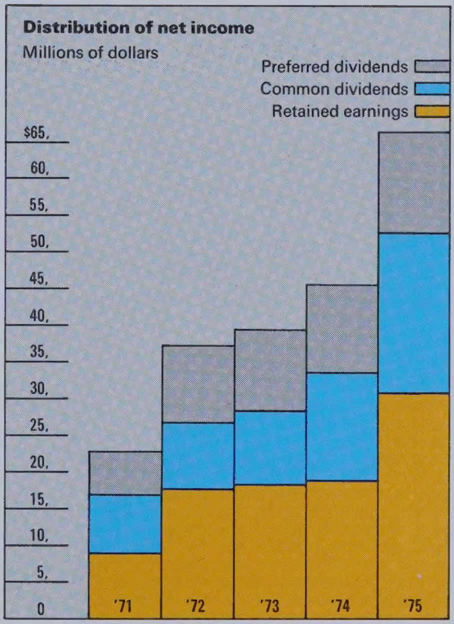

Gas delivered for sales and transportation
Millions of cubic feet
Export
Canadian
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
'71
'72
'73
'74
'75

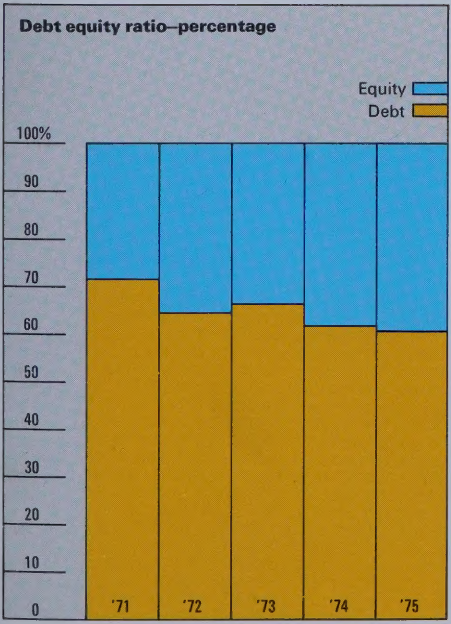

Annual Canadian sales by category
Millions of cubic feet
Residential
Commercial
Industrial
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
'71
'72
'73
'74
'75

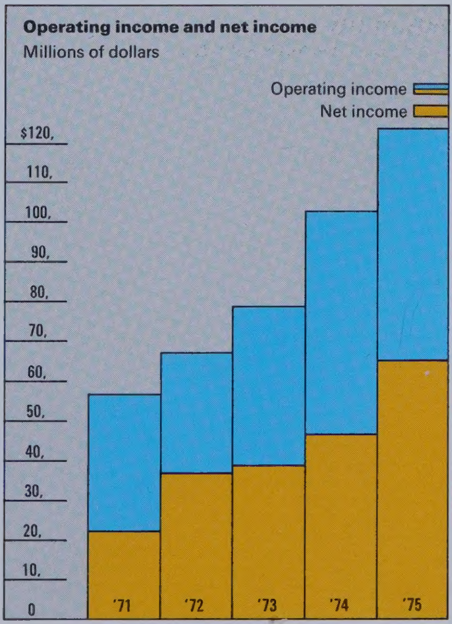

Where the gas was sold in 1975
Percentage of volume sales
Saskatchewan 0.3
Manitoba 5.5
Ontario 62.2
Quebec 7.0
Export 25.0

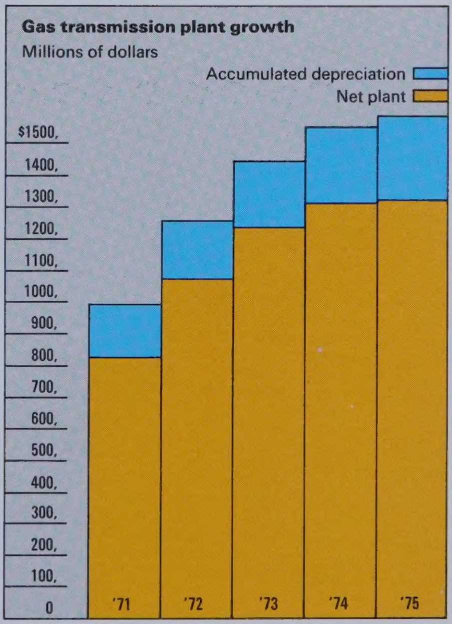

Maximum day gas delivered for sales and transportation
Millions of cubic feet
3,600.
3,200.
2,800.
2,400.
2,000.
1,600.
1,200.
800.
400.
0
'71
'72
'73
'74
'75


Average sales rate—Canadian sales
Cents per Mcf
90¢
80
70
60
50
40
30
20
10
0
'71
'72
'73
'74
'75


Distribution of net income
Millions of dollars
Preferred dividends
Common dividends
Retained earnings
$65.
60.
55.
50.
45.
40.
35.
30.
25.
20.
15.
10.
5.
0
'71
'72
'73
'74
'75


Debt equity ratio–percentage
Equity
Debt
100%
90
80
70
60
50
40
30
20
10
0
'71
'72
'73
'74
'75


Operating income and net income
Millions of dollars
Operating income
Net income
$120.
110.
100.
90.
80.
70.
60.
50.
40.
30.
20.
10.
0
'71
'72
'73
'74
'75


Gas transmission plant growth
Millions of dollars
Accumulated depreciation
Net plant
$1500.
1400.
1300.
1200.
1100.
1000.
900.
800.
700.
600.
500.
400.
300.
200.
100.
0
'71
'72
'73
'74
'75

Five Year Summary

	1975	1974	1973	1972	1971
Income (in thousands of dollars)					
Operating Revenues					
Gas sales	$ 901,167	$ 561,255	$ 430,382	$ 373,700	$ 315,973
Gas transportation	8,847	5,378	4,865	1,391	1,087
Other	10,375	1,309	1,556	1,267	942
	920,389	567,942	436,803	376,358	318,002
Operating Expenses					
Cost of gas sold and gathering charges	601,013	316,691	227,269	196,702	171,648
Transmission by other companies	78,066	60,767	60,856	52,501	35,966
Operation and maintenance	37,844	27,915	22,673	21,575	18,878
Compressor fuel—gas and electric	27,244	16,697	12,524	11,709	10,075
Amortization of Deferred Credit	—	—	—	(1,095)	(1,095)
Depreciation and amortization	39,136	34,463	29,630	23,359	21,200
Deferral of depreciation—Northern Ontario Section	—	—	(1,286)	—	—
Taxes—provincial and municipal	9,236	7,462	5,760	4,940	4,331
	792,539	463,995	357,426	309,691	261,003
Operating income	127,850	103,947	79,377	66,667	56,999
Other Income					
Equity in net income of Great Lakes Gas Transmission Company	6,670	6,098	6,022	3,067	649
Other income (net)	2,211	5,013	12,071	13,274	4,465
Income before financial charges	136,731	115,058	97,470	83,008	62,113
Financial Charges (net)	70,434	69,476	57,958	45,917	39,215
Net Income for the Year	66,297	45,582	39,512	37,091	22,898
Provision for dividends on preferred shares	13,863	12,119	11,508	10,354	5,598
Net Income Applicable to Common Shares	$ 52,434	$ 33,463	$ 28,004	$ 26,737	$ 17,300
Net Income per Average Common Share					
Basic	$ 1.65	$ 1.17	$ 1.01	$ 1.04	$ .69
Fully diluted	$ 1.45	$ 1.03	$ .92	$ .91	$ .66
Dividends declared, per common share	$ .69	$ .48⅓	$ .33⅓	$ .33⅓	$ .33⅓
Dividend payout ratio, common shares	% 41.82	% 41.30	% 33.11	% 31.95	% 48.08
Return on average common equity	% 17.64	% 13.24	% 13.23	% 15.71	% 12.29
Funds provided from current operations	$ 105,220	$ 73,664	$ 58,706	$ 59,376	$ 43,329
—per average common share	$ 3.31	$ 2.57	$ 2.11	$ 2.32	$ 1.74
Balance Sheet (in thousands of dollars)					
Plant, property and equipment—gross	$1,588,754	$1,555,506	$1,449,925	$1,294,372	$1,025,952
—net	1,315,545	1,314,992	1,240,782	1,108,852	862,554
Annual additions	38,435	108,578	194,743	276,201	159,070
Long-term debt	819,797	820,075	861,335	730,958	545,207
Shareholders' equity—total	535,762	508,391	440,179	409,616	248,056
—common	317,755	276,903	228,461	194,819	145,667
—per common share at year end	9.93	8.91	8.20	7.06	5.84
Statistics					
Miles of pipe line—including loop line	5,678	5,678	5,367	4,878	4,007
Compressor horsepower	950,690	950,690	944,390	880,890	857,990
Delivered for sales and transportation—annual	1,100,550	1,096,410	1,055,618	950,839	844,161
(in millions of cubic feet) —maximum day	3,431	3,531	3,394	3,128	2,803
Number of employees—average	1,460	1,460	1,413	1,374	1,335
Common shares outstanding—year end	32,005,509	31,077,790	27,859,257	27,612,951	24,937,131
—average	31,746,810	28,687,701	27,781,065	25,631,424	24,904,212
Number of shareholders, December 31	24,244	24,302	24,984	26,537	27,552

Note: The above FIVE YEAR SUMMARY excludes the extraordinary gain of $12,461,000 realized in 1973 on the sale of TransCanada Petroleums Limited and reflects the three-for-one split of common shares effected in June 1974.

Shareholders and others desiring information on TransCanada PipeLines may obtain a ten year summary by requesting a copy of the booklet "Operating and Statistical Information 1966-1975" from H. N. Nichols, Treasurer, TransCanada PipeLines, P.O. Box 54, Commerce Court West, Toronto, Ontario, M5L 1C2.

TransCanada PipeLines

A company incorporated under the laws of Canada, which owns and operates 5,678 miles of natural gas transmission pipe line in Canada.

Executive Office
P.O. Box 54, Commerce Court West, Toronto, Ontario, M5L 1C2.

Head Office
407 Eighth Avenue S. W., Calgary, Alberta, T2P 2M7.

Subsidiary (Wholly Owned)

International PipeLine Engineering Limited
A company carrying on the business of engineering, design and supervision of construction of pipe lines and associated facilities.

Affiliate (50% Owned)

Great Lakes Gas Transmission Company
A Delaware company owning and operating a pipe line through the United States from Emerson, Manitoba to Sault Ste. Marie and Sarnia, Ontario.

Common Shares

Transfer Agents
Montreal Trust Company,
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

First National City Bank, New York.

Registrars
National Trust Company, Limited, Toronto.

Bankers' Trust Company, New York.

Preferred Shares

$2.80 cumulative redeemable first preferred shares.

$2.75 cumulative redeemable convertible first preferred shares series A.

$4.50 cumulative redeemable retractable first preferred shares series B.

$2.65 cumulative redeemable convertible second preferred shares series A.

Transfer Agents and Registrars
$2.80, $2.75 and $2.65 National Trust Company, Limited,
Montreal, Toronto, Winnipeg, Calgary and Vancouver.

$4.50 Royal Trust Company,
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Bonds

Trustee
National Trust Company, Limited, Toronto.

Registrar Canadian Series
5½%, 6¼% and 6¾% first mortgage pipe line bonds,
National Trust Company, Limited, Montreal and Toronto.

8¾% and 8⅜% first mortgage pipe line bonds,
National Trust Company, Limited, Montreal, Winnipeg, Calgary and Vancouver.

Registrar U.S. Series
5⅛%, 5¼%, 5¾%, 6¼% and 6⅝% first mortgage pipe line bonds,
Morgan Guaranty Trust Company of New York, New York.

Sinking Fund Debentures

Trustee
Crown Trust Company, Toronto.

Registrar
10% series A, 9¾% series B, 9% series C, 8⅞% series D, 9% series E and 11½% series F sinking fund debentures.
Crown Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Subordinated Debentures

Trustee
Montreal Trust Company, Toronto.

Registrar Canadian Series
5.85% subordinated debentures,
Montreal Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Registrar U.S. Series
5.60% subordinated debentures,
First National City Bank, New York.

24-inch diameter pipe being unloaded on the right-of-way near Cornwall, Ontario for the 1975 looping program.

TransCanada PipeLines

Printed in Canada